

Report to Congress on the Situation in Iraq

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Mr. Chairmen, Ranking Members, Members of the Committees, thank you for the opportunity to provide my assessment of the security situation in Iraq and to discuss the recommendations I recently provided to my chain of command for the way forward.

At the outset, I would like to note that this is my testimony. Although I have briefed my assessment and recommendations to my chain of command, I wrote this testimony myself. It has not been cleared by, nor shared with, anyone in the Pentagon, the White House, or Congress.

As a bottom line up front, the military objectives of the surge are, in large measure, being met. In recent months, in the face of tough enemies and the brutal summer heat of Iraq, Coalition and Iraqi Security Forces have achieved progress in the security arena. Though the improvements have been uneven across Iraq, the overall number of security incidents in Iraq has declined in 8 of the past 12 weeks, with the numbers of incidents in the last two weeks at the lowest levels seen since June 2006.

One reason for the decline in incidents is that Coalition and Iraqi forces have dealt significant blows to Al Qaeda-Iraq. Though Al Qaeda and its affiliates in Iraq remain dangerous, we have taken away a number of their sanctuaries and gained the initiative in many areas.

We have also disrupted Shia militia extremists, capturing the head and numerous other leaders of the Iranian-supported Special Groups, along with a senior Lebanese Hezbollah operative supporting Iran's activities in Iraq.

Coalition and Iraqi operations have helped reduce ethno-sectarian violence, as well, bringing down the number of ethno-sectarian deaths substantially in Baghdad and across Iraq since the height of the sectarian violence last December. The number of overall civilian deaths has also declined during this period, although the numbers in each area are still at troubling levels.

Iraqi Security Forces have also continued to grow and to shoulder more of the load, albeit slowly and amid continuing concerns about the sectarian tendencies of some elements in their ranks. In general, however, Iraqi elements have been standing and fighting and sustaining tough losses, and they have taken the lead in operations in many areas.

Additionally, in what may be the most significant development of the past 8 months, the tribal rejection of Al Qaeda that started in Anbar Province and helped produce such significant change there has now spread to a number of other locations as well.

Based on all this and on the further progress we believe we can achieve over the next few months, I believe that we will be able to reduce our forces to the pre-surge level of brigade

combat teams by next summer without jeopardizing the security gains that we have fought so hard to achieve.

Beyond that, while noting that the situation in Iraq remains complex, difficult, and sometimes downright frustrating, I also believe that it is possible to achieve our objectives in Iraq over time, though doing so will be neither quick nor easy.

Having provided that summary, I would like to review the nature of the conflict in Iraq, recall the situation before the surge, describe the current situation, and explain the recommendations I have provided to my chain of command for the way ahead in Iraq.

The Nature of the Conflict

The fundamental source of the conflict in Iraq is competition among ethnic and sectarian communities for power and resources. This competition will take place, and its resolution is key to producing long-term stability in the new Iraq. The question is whether the competition takes place more – or less – violently. This chart shows the security challenges in Iraq. Foreign and home-grown terrorists, insurgents, militia extremists, and criminals all push the ethno-sectarian competition toward violence. Malign actions by Syria and, especially, by Iran fuel that violence. Lack of adequate governmental capacity, lingering sectarian mistrust, and various forms of corruption add to Iraq's challenges.

The Situation in December 2006 and the Surge

In our recent efforts to look to the future, we found it useful to revisit the past. In December 2006, during the height of the ethno-sectarian violence that escalated in the wake of the bombing of the Golden Dome Mosque in Samarra, the leaders in Iraq at that time – General George Casey and Ambassador Zalmay Khalilzad – concluded that the coalition was failing to achieve its objectives. Their review underscored the need to protect the population and reduce sectarian violence, especially in Baghdad. As a result, General Casey requested additional forces to enable the Coalition to accomplish these tasks, and those forces began to flow in January.

In the ensuing months, our forces and our Iraqi counterparts have focused on improving security, especially in Baghdad and the areas around it, wresting sanctuaries from Al Qaeda control, and disrupting the efforts of the Iranian-supported militia extremists. We have employed counterinsurgency practices that underscore the importance of units living among the people they are securing, and accordingly, our forces have established dozens of joint security stations and patrol bases manned by Coalition and Iraqi forces in Baghdad and in other areas across Iraq.

In mid-June, with all the surge brigades in place, we launched a series of offensive operations focused on: expanding the gains achieved in the preceding months in Anbar Province; clearing Baqubah, several key Baghdad neighborhoods, the remaining sanctuaries in Anbar Province, and important areas in the so-called "belts" around Baghdad; and pursuing Al Qaeda in the Diyala River Valley and several other areas.

Throughout this period, as well, we engaged in dialogue with insurgent groups and tribes, and this led to additional elements standing up to oppose Al Qaeda and other extremists. We also continued to emphasize the development of the Iraqi Security Forces and we employed non-kinetic means to exploit the opportunities provided by the conduct of our kinetic operations – aided in this effort by the arrival of additional Provincial Reconstruction Teams.

Current Situation and Trends

The progress our forces have achieved with our Iraqi counterparts has, as I noted at the outset, been substantial. While there have been setbacks as well as successes and tough losses along the way, overall, our tactical commanders and I see improvements in the security environment. We do not, however, just rely on gut feel or personal observations; we also conduct considerable data collection and analysis to gauge progress and determine trends. We do this by gathering and refining data from coalition and Iraqi operations centers, using a methodology that has been in place for well over a year and that has benefited over the past seven months from the increased presence of our forces living among the Iraqi people. We endeavor to ensure our analysis of that data is conducted with rigor and consistency, as our ability to achieve a nuanced understanding of the security environment is dependent on collecting and analyzing data in a consistent way over time. Two US intelligence agencies recently reviewed our methodology, and they concluded that the data we produce is the most accurate and authoritative in Iraq.

As I mentioned up front, and as the chart before you reflects, the level of security incidents has decreased significantly since the start of the surge of offensive operations in mid-June, declining in 8 of the past 12 weeks, with the level of incidents in the past two weeks the lowest since June 2006 and with the number of attacks this past week the lowest since April 2006.

Civilian deaths of all categories, less natural causes, have also declined considerably, by over 45% Iraq-wide since the height of the sectarian violence in December. This is shown by the top line on this chart, and the decline by some 70% in Baghdad is shown by the bottom line. Periodic mass casualty attacks by Al Qaeda have tragically added to the numbers outside Baghdad, in particular. Even without the sensational attacks, however, the level of civilian deaths is clearly still too high and continues to be of serious concern.

As the next chart shows, the number of ethno-sectarian deaths, an important subset of the overall civilian casualty figures, has also declined significantly since the height of the sectarian violence in December. Iraq-wide, as shown by the top line on this chart, the number of ethno-sectarian deaths has come down by over 55%, and it would have come down much further were it not for the casualties inflicted by barbaric Al Qaeda bombings attempting to reignite sectarian violence. In Baghdad, as the bottom line shows, the number of ethno-sectarian deaths has come down by some 80% since December. This chart also displays the density of sectarian incidents in various Baghdad neighborhoods and it both reflects the progress made in reducing ethno-sectarian violence in the Iraqi capital and identifies the areas that remain the most challenging.

As we have gone on the offensive in former Al Qaeda and insurgent sanctuaries, and as locals have increasingly supported our efforts, we have found a substantially increased number of arms, ammunition, and explosives caches. As this chart shows, we have, so far this year, already found

and cleared over 4,400 caches, nearly 1,700 more than we discovered in all of last year. This may be a factor in the reduction in the number of overall improvised explosive device attacks in recent months, which as this chart shows, has declined sharply, by about one-third, since June.

The change in the security situation in Anbar Province has, of course, been particularly dramatic. As this chart shows, monthly attack levels in Anbar have declined from some 1,350 in October 2006 to a bit over 200 in August of this year. This dramatic decrease reflects the significance of the local rejection of Al Qaeda and the newfound willingness of local Anbaris to volunteer to serve in the Iraqi Army and Iraqi Police Service. As I noted earlier, we are seeing similar actions in other locations, as well.

To be sure, trends have not been uniformly positive across Iraq, as is shown by this chart depicting violence levels in several key Iraqi provinces. The trend in Ninevah Province, for example, has been much more up and down, until a recent decline, and the same is true in Sala ad Din Province, though recent trends there and in Baghdad have been in the right direction. In any event, the overall trajectory in Iraq — a steady decline of incidents in the past three months — is still quite significant.

The number of car bombings and suicide attacks has also declined in each of the past 5 months, from a high of some 175 in March, as this chart shows, to about 90 this past month. While this trend in recent months has been heartening, the number of high profile attacks is still too high, and we continue to work hard to destroy the networks that carry out these barbaric attacks.

Our operations have, in fact, produced substantial progress against Al Qaeda and its affiliates in Iraq. As this chart shows, in the past 8 months, we have considerably reduced the areas in which Al Qaeda enjoyed sanctuary. We have also neutralized 5 media cells, detained the senior Iraqi leader of Al Qaeda-Iraq, and killed or captured nearly 100 other key leaders and some 2,500 rank-and-file fighters. Al Qaeda is certainly not defeated; however, it is off balance and we are pursuing its leaders and operators aggressively. Of note, as the recent National Intelligence Estimate on Iraq explained, these gains against Al Qaeda are a result of the synergy of actions by: conventional forces to deny the terrorists sanctuary; intelligence, surveillance, and reconnaissance assets to find the enemy; and special operations elements to conduct targeted raids. A combination of these assets is necessary to prevent the creation of a terrorist safe haven in Iraq.

In the past six months we have also targeted Shia militia extremists, capturing a number of senior leaders and fighters, as well as the deputy commander of Lebanese Hezbollah Department 2800, the organization created to support the training, arming, funding, and, in some cases, direction of the militia extremists by the Iranian Republican Guard Corps' Qods Force. These elements have assassinated and kidnapped Iraqi governmental leaders, killed and wounded our soldiers with advanced explosive devices provided by Iran, and indiscriminately rocketed civilians in the International Zone and elsewhere. It is increasingly apparent to both Coalition and Iraqi leaders that Iran, through the use of the Qods Force, seeks to turn the Iraqi Special Groups into a Hezbollah-like force to serve its interests and fight a proxy war against the Iraqi state and coalition forces in Iraq.

The most significant development in the past six months likely has been the increasing emergence of tribes and local citizens rejecting Al Qaeda and other extremists. This has, of course, been most visible in Anbar Province. A year ago the province was assessed as "lost" politically. Today, it is a model of what happens when local leaders and citizens decide to oppose Al Qaeda and reject its Taliban-like ideology. While Anbar is unique and the model it provides cannot be replicated everywhere in Iraq, it does demonstrate the dramatic change in security that is possible with the support and participation of local citizens. As this chart shows, other tribes have been inspired by the actions of those in Anbar and have volunteered to fight extremists as well. We have, in coordination with the Iraqi government's National Reconciliation Committee, been engaging these tribes and groups of local citizens who want to oppose extremists and to contribute to local security. Some 20,000 such individuals are already being hired for the Iraqi Police, thousands of others are being assimilated into the Iraqi Army, and thousands more are vying for a spot in Iraq's Security Forces.

Iraqi Security Forces

As I noted earlier, Iraqi Security Forces have continued to grow, to develop their capabilities, and to shoulder more of the burden of providing security for their country. Despite concerns about sectarian influence, inadequate logistics and supporting institutions, and an insufficient number of qualified commissioned and non-commissioned officers, Iraqi units are engaged around the country.

As this chart shows, there are now nearly 140 Iraqi Army, National Police, and Special Operations Forces Battalions in the fight, with about 95 of those capable of taking the lead in operations, albeit with some coalition support. Beyond that, all of Iraq's battalions have been heavily involved in combat operations that often result in the loss of leaders, soldiers, and equipment. These losses are among the shortcomings identified by operational readiness assessments, but we should not take from these assessments the impression that Iraqi forces are not in the fight and contributing. Indeed, despite their shortages, many Iraqi units across Iraq now operate with minimal coalition assistance.

As counterinsurgency operations require substantial numbers of boots on the ground, we are helping the Iraqis expand the size of their security forces. Currently, there are some 445,000 individuals on the payrolls of Iraq's Interior and Defense Ministries. Based on recent decisions by Prime Minister Maliki, the number of Iraq's security forces will grow further by the end of this year, possibly by as much as 40,000. Given the security challenges Iraq faces, we support this decision, and we will work with the two security ministries as they continue their efforts to expand their basic training capacity, leader development programs, logistical structures and elements, and various other institutional capabilities to support the substantial growth in Iraqi forces.

Significantly, in 2007, Iraq will, as in 2006, spend more on its security forces than it will receive in security assistance from the United States. In fact, Iraq is becoming one of the United States' larger foreign military sales customers, committing some \$1.6 billion to FMS already, with the possibility of up to \$1.8 billion more being committed before the end of this year. And I

appreciate the attention that some members of Congress have recently given to speeding up the FMS process for Iraq.

To summarize, the security situation in Iraq is improving, and Iraqis elements are slowly taking on more of the responsibility for protecting their citizens. Innumerable challenges lie ahead; however, Coalition and Iraqi Security Forces have made progress toward achieving sustainable security. As a result, the United States will be in a position to reduce its forces in Iraq in the months ahead.

Recommendations

Two weeks ago I provided recommendations for the way ahead in Iraq to the members of my chain of command and the Joint Chiefs of Staff. The essence of the approach I recommended is captured in its title: "Security While Transitioning: From Leading to Partnering to Overwatch." This approach seeks to build on the security improvements our troopers and our Iraqi counterparts have fought so hard to achieve in recent months. It reflects recognition of the importance of securing the population and the imperative of transitioning responsibilities to Iraqi institutions and Iraqi forces as quickly as possible, but without rushing to failure. It includes substantial support for the continuing development of Iraqi Security Forces. It also stresses the need to continue the counterinsurgency strategy that we have been employing, but with Iraqis gradually shouldering more of the load. And it highlights the importance of regional and global diplomatic approaches. Finally, in recognition of the fact that this war is not only being fought on the ground in Iraq but also in cyberspace, it also notes the need to contest the enemy's growing use of that important medium to spread extremism.

The recommendations I provided were informed by operational and strategic considerations. The operational considerations include recognition that:

- military aspects of the surge have achieved progress and generated momentum;
- Iraqi Security Forces have continued to grow and have slowly been shouldering more of the security burden in Iraq;
- a mission focus on either population security or transition alone will not be adequate to achieve our objectives;
- success against Al Qaeda-Iraq and Iranian-supported militia extremists requires conventional forces as well as special operations forces; and
- the security and local political situations will enable us to draw down the surge forces.

My recommendations also took into account a number of strategic considerations:

- political progress will take place only if sufficient security exists;
- long-term US ground force viability will benefit from force reductions as the surge runs its course;
- regional, global, and cyberspace initiatives are critical to success; and
- Iraqi leaders understandably want to assume greater sovereignty in their country, although, as they recently announced, they do desire continued presence of coalition forces in Iraq in 2008 under a new UN Security Council Resolution and, following

that, they want to negotiate a long term security agreement with the United States and other nations.

Based on these considerations, and having worked the battlefield geometry with Lieutenant General Ray Odierno to ensure that we retain and build on the gains for which our troopers have fought, I have recommended a drawdown of the surge forces from Iraq. In fact, later this month, the Marine Expeditionary Unit deployed as part of the surge will depart Iraq. Beyond that, if my recommendations are approved, that unit's departure will be followed by the withdrawal of a brigade combat team without replacement in mid-December and the further redeployment without replacement of four other brigade combat teams and the two surge Marine battalions in the first 7 months of 2008, until we reach the pre-surge level of 15 brigade combat teams by mid-July 2008.

I would also like to discuss the period beyond next summer. Force reductions will continue beyond the pre-surge levels of brigade combat teams that we will reach by mid-July 2008; however, in my professional judgment, it would be premature to make recommendations on the pace of such reductions at this time. In fact, our experience in Iraq has repeatedly shown that projecting too far into the future is not just difficult, it can be misleading and even hazardous. The events of the past six months underscore that point. When I testified in January, for example, no one would have dared to forecast that Anbar Province would have been transformed the way it has in the past 6 months. Nor would anyone have predicted that volunteers in one-time Al Qaeda strongholds like Ghazaliyah in western Baghdad or in Adamiya in eastern Baghdad would seek to join the fight against Al Qaeda. Nor would we have anticipated that a Shia-led government would accept significant numbers of Sunni volunteers into the ranks of the local police force in Abu Ghraib. Beyond that, on a less encouraging note, none of us earlier this year appreciated the extent of Iranian involvement in Iraq, something about which we and Iraq's leaders all now have greater concern.

In view of this, I do not believe it is reasonable to have an adequate appreciation for the pace of further reductions and mission adjustments beyond the summer of 2008 until about mid-March of next year. We will, no later than that time, consider factors similar to those on which I based the current recommendations, having by then, of course, a better feel for the security situation, the improvements in the capabilities of our Iraqi counterparts, and the enemy situation. I will then, as I did in developing the recommendations I have explained here today, also take into consideration the demands on our Nation's ground forces, although I believe that that consideration should once again inform, not drive, the recommendations I make.

This chart captures the recommendations I have described, showing the recommended reduction of brigade combat teams as the surge runs its course and illustrating the concept of our units adjusting their missions and transitioning responsibilities to Iraqis, as the situation and Iraqi capabilities permit. It also reflects the no-later-than date for recommendations on force adjustments beyond next summer and provides a possible approach we have considered for the future force structure and mission set in Iraq.

One may argue that the best way to speed the process in Iraq is to change the MNF-I mission from one that emphasizes population security, counter-terrorism, and transition, to one that is

strictly focused on transition and counter-terrorism. Making that change now would, in our view, be premature. We have learned before that there is a real danger in handing over tasks to the Iraqi Security Forces before their capacity and local conditions warrant. In fact, the drafters of the recently released National Intelligence Estimate on Iraq recognized this danger when they wrote, and I quote, "We assess that changing the mission of Coalition forces from a primarily counterinsurgency and stabilization role to a primary combat support role for Iraqi forces and counterterrorist operations to prevent AQI from establishing a safe haven would erode security gains achieved thus far."

In describing the recommendations I have made, I should note again that, like Ambassador Crocker, I believe Iraq's problems will require a long-term effort. There are no easy answers or quick solutions. And though we both believe this effort can succeed, it will take time. Our assessments underscore, in fact, the importance of recognizing that a premature drawdown of our forces would likely have devastating consequences.

That assessment is supported by the findings of a 16 August Defense Intelligence Agency report on the implications of a rapid withdrawal of US forces from Iraq. Summarizing it in an unclassified fashion, it concludes that a rapid withdrawal would result in the further release of the strong centrifugal forces in Iraq and produce a number of dangerous results, including a high risk of disintegration of the Iraqi Security Forces; rapid deterioration of local security initiatives; Al Qaeda-Iraq regaining lost ground and freedom of maneuver; a marked increase in violence and further ethno-sectarian displacement and refugee flows; alliances of convenience by Iraqi groups with internal and external forces to gain advantages over their rivals; and exacerbation of already challenging regional dynamics, especially with respect to Iran.

Lieutenant General Odierno and I share this assessment and believe that the best way to secure our national interests and avoid an unfavorable outcome in Iraq is to continue to focus our operations on securing the Iraqi people while targeting terrorist groups and militia extremists and, as quickly as conditions are met, transitioning security tasks to Iraqi elements.

Closing Comments

Before closing, I want to thank you and your colleagues for your support of our men and women in uniform in Iraq. The Soldiers, Sailors, Airmen, Marines, and Coast Guardsmen with whom I'm honored to serve are the best equipped and, very likely, the most professional force in our nation's history. Impressively, despite all that has been asked of them in recent years, they continue to raise their right hands and volunteer to stay in uniform. With three weeks to go in this fiscal year, in fact, the Army elements in Iraq, for example, have achieved well over 130% of the reenlistment goals in the initial term and careerist categories and nearly 115% in the mid-career category. All of us appreciate what you have done to ensure that these great troopers have had what they've needed to accomplish their mission, just as we appreciate what you have done to take care of their families, as they, too, have made significant sacrifices in recent years.

The advances you have underwritten in weapons systems and individual equipment; in munitions; in command, control, and communications systems; in intelligence, surveillance, and reconnaissance capabilities; in vehicles and counter-IED systems and programs; and in manned

and unmanned aircraft have proven invaluable in Iraq. The capabilities that you have funded most recently – especially the vehicles that will provide greater protection against improvised explosive devices – are also of enormous importance. Additionally, your funding of the Commander's Emergency Response Program has given our leaders a critical tool with which to prosecute the counterinsurgency campaign. Finally, we appreciate as well your funding of our new detention programs and rule of law initiatives in Iraq.

In closing, it remains an enormous privilege to soldier again in Iraq with America's new "Greatest Generation." Our country's men and women in uniform have done a magnificent job in the most complex and challenging environment imaginable. All Americans should be very proud of their sons and daughters serving in Iraq today.

Thank you very much.

**STATEMENT OF AMBASSADOR RYAN C. CROCKER,
UNITED STATES AMBASSADOR TO THE REPUBLIC OF IRAQ,
BEFORE A JOINT HEARING OF THE COMMITTEE ON FOREIGN
AFFAIRS AND THE COMMITTEE ON ARMED SERVICES
SEPTEMBER 10, 2007**

Introduction

Mr. Chairman,

Thank you for the opportunity to address Congress this week. I have considered it a privilege and an honor to serve in Iraq at a time when so much is at stake for our country and the people of the region – and when so many Americans of the highest caliber in our military and civilian services are doing the same. I know that a heavy responsibility weighs on my shoulders to provide the country with my best, most honest assessment of the situation in Iraq and the implications for the United States.

Americans, in this chamber and beyond, are looking for more than an update on the latest events. They want to know the answers to some key questions. Are our objectives realistic? Is it possible that Iraq will become a united, stable country with a democratic government operating under the rule of law? What is the trajectory – is Iraq, on the whole, moving in the right direction? Can we expect more and under what time frame? Are there alternative courses of action for our country which are superior?

These are sensible questions to be asked by a nation investing in and sacrificing for another country and people. In asking these questions, however, we must not lose sight of the vital interests the United States has in a successful outcome in Iraq.

My intention today is to give you an assessment of political, economic, and diplomatic developments in Iraq. In doing so, I will not minimize the enormity of the challenges faced by Iraqis, nor the complexity of the situation. Yet at the same time, I intend to demonstrate that it *is* possible for the United States to see its goals realized in Iraq and that Iraqis *are* capable of tackling and addressing the problems confronting them today. A secure, stable democratic Iraq at peace with its neighbors is attainable. In my judgment, the cumulative trajectory of political, economic, and diplomatic developments in Iraq is upwards, although the slope of that line is not steep. The process will not be quick, it will be uneven, punctuated by setbacks as well as achievements, and it will require substantial U.S. resolve

and commitment. There will be no single moment at which we can claim victory; any turning point will likely only be recognized in retrospect.

This is a sober assessment, but it should not be a disheartening one. I have found it helpful, during my time in Iraq to reflect on our own history. At many points in the early years, our survival as a nation was questionable. Our efforts to build the institutions of government were not always successful in the first instance. And tough issues – such as slavery, universal suffrage, civil rights, and state rights – were resolved only after acrimonious debate and sometimes violence.

Iraq is experiencing a revolution – not just regime change. It is only by understanding this that we can appreciate what is happening in Iraq and what Iraqis have achieved, as well as maintain a sense of realism about the challenges that remain.

Context

Evaluating where Iraqis are today only makes sense in the context of where they have been. Any Iraqi under 40 years old – and that is the overwhelming majority of the population – would have known nothing but the rule of the Ba'ath party before liberation four and a half years ago. Those 35 years were filled with crimes against humanity on every scale. Saddam Hussein ruled without any mercy, not hesitating to use lethal force and torture against even those in his inner circle. His genocidal campaign against the Kurds and savagery toward southern Shi'a are well known. But he also used violence and intimidation as tools in the complete deconstruction of Iraqi society. No organization or institution survived that was not linked in some way to regime protection. He created a pervasive climate of fear in which even family members were afraid to talk to one another.

This is the legacy that Iraqis had as their history when Saddam's statue came down on April 9, 2003. No Nelson Mandela existed to emerge on the national political scene; anyone with his leadership talents would have not survived. A new Iraq had to be built almost literally from scratch, and the builders in most cases were themselves reduced to their most basic identity, ethnic or sectarian.

Much progress has been made, particularly in building an institutional framework where there was none before. But rather than being a period in which old animosities and suspicions were overcome, the past 18 months in particular have further strained Iraqi society. The sectarian violence of 2006 and early 2007 had its seeds in Saddam's social deconstruction and it had dire consequences for the people of Iraq as well as its politics. Extensive displacement and widespread sectarian killings by al-Qa'ida and other extremist groups have gnawed away at

the already frayed fabric of Iraqi society and politics. It is no exaggeration to say that Iraq is — and will remain for some time — a traumatized society.

National Politics

It is against this backdrop that developments in Iraq must be seen. Iraqis are facing some of the most profound political, economic, and security challenges imaginable. They are not simply grappling with the issue of *who* rules Iraq — but they are asking what kind of country Iraq will be, how it will be governed, and how Iraqis will share power and resources among each other. The constitution approved in a referendum in 2005 answered some of these questions in theory, but much remains uncertain in both law and practice.

Some of the more promising political developments at the national level are neither measured in benchmarks nor visible to those far from Baghdad. For instance, there is a budding debate about federalism among Iraq's leaders and, importantly, within the Sunni community. Those living in place like al-Anbar and Salahaddin are beginning to realize how localities having more of a say in daily decision making will empower their communities. No longer is an all-powerful Baghdad seen as the panacea to Iraq's problems. This thinking is nascent, but it is ultimately critical to the evolution of a common vision among all Iraqi leaders.

Similarly, there is a palpable frustration in Baghdad over the sectarian system that was used to divide the spoils of the state in the last few years. Leaders from all communities openly acknowledge that a focus on sectarian gains has led to poor governance and served Iraqis badly. And many claim to be ready to make the sacrifices that will be needed to put government performance ahead of sectarian and ethnic concerns. Such ideas are no longer controversial, although their application will be.

Finally, we are seeing Iraqis come to terms with complex issues not by first providing a national framework, but instead by tackling immediate problems. One such example is how the central government has accepted over 1700 young men from the Abu Ghurayb area west of Baghdad, including former members of insurgent groups, to be part of the Iraqi security forces. Another is how the government, without much public fanfare, has contacted thousands of members of the former Iraqi army, offering them retirement, return to the military, or public sector employment. So without the proclamation of a general amnesty, we see amnesty being granted, and de-baathification reform in advance of national legislation. In both instances, the seeds of reconciliation are being planted.

Our country, however, has come to associate progress on national reconciliation as meaning the passage of key pieces of legislation. There is logic to this, as the

legislation we are urging the Iraqis to produce does – in one way or another – have to do with the question of how to share power and resources among Iraq's many communities. This legislation also has to do with the vision of the future Iraqi state. The oil and revenues sharing laws, for instance, deal with deeper issues than simply whether Iraqis in oil producing areas are willing to share their wealth with other Iraqis. What is difficult about the oil laws is that they take Iraq another step down the road toward a federal system that all Iraqis have not yet embraced. But once again, we see that even in the absence of legislation there is practical action as the central government shares oil revenues through budget allocations on an equitable basis with Iraq's provinces.

In many respects, the debates currently occurring in Iraq are akin to those surrounding our civil rights movement or struggle over states rights. With de-ba'athification, Iraqis are struggling to come to terms with a vicious past. They are trying to balance fear that the Ba'ath party would one day return to power with the recognition that many former members of the party are guilty of no crime and joined the organization not to repress others but for personal survival. With provincial powers, they are grappling with very serious questions about what the right balance between the center and the periphery is for Iraq. Some see the devolution of power to regions and provinces as being the best insurance against the rise of a future tyrannical figure in Baghdad. Others see Iraq, with its complex demographics, as in need of a strong central authority.

In short, we should not be surprised or dismayed that Iraqis have not fully resolved such issues. Rather, we should ask whether the way in which they are approaching such issues gives us a sense of their seriousness and ultimate capability to resolve Iraq's fundamental problems. Is the collective national leadership of Iraq ready to prioritize Iraq over sectarian and community interests? Can and will they come to agreement about what sort of Iraq they want?

I do believe that Iraq's leaders have the will to tackle the country's pressing problems, although it will take longer than we originally anticipated because of the environment and the gravity of the issues before them. Prime Minister al-Maliki and the other Iraqi leaders face enormous obstacles in their efforts to govern effectively. They approach the task with a deep sense of commitment and patriotism. An important part of this positive judgment was the effort made by the leaders this past summer. After weeks of preparatory work and many days of intensive meetings, Iraq's five most prominent national leaders from the three major communities issued a communiqué on August 26 that noted agreement on draft legislation dealing with de-ba'athification and provincial powers. This agreement by no means solves all of Iraq's problems. But the commitment of its leaders to work together on hard issues is encouraging.

Perhaps most significantly, these five Iraqi leaders together decided to publicly express their joint desire to develop a long term relationship with the United States. Despite their many differences in perspectives and experiences, they all agreed on language acknowledging the need for a continue presence by the multi-national forces in Iraq and expressing gratitude for the sacrifices these forces have made for Iraqis.

Provincial and Local Politics

At the provincial level, political gains have been more pronounced, particularly in the north and west of Iraq where the security improvements have been in some places dramatic. In these areas, there is abundant evidence that the security gains have opened the door for meaningful politics.

In al-Anbar, the progress on the security side has been extraordinary. Six months ago, violence was rampant, our forces were under daily attack, and Iraqis were cowering from the intimidation of al-Qa'ida. But al-Qa'ida overplayed its hand in al-Anbar and Anbaris began to reject its excesses – be they beheading school children or cutting off peoples' fingers as punishment for smoking. Recognizing the Coalition could help eject al-Qa'ida, the tribes began to fight with us, not against us, and the landscape in al-Anbar is dramatically different as a result. Tribal representatives are on the provincial council, which is now meeting regularly to find ways of restoring services, developing the economy, and executing a provincial budget. These leaders are looking for help to rebuild their cities and talking of attracting investment. Such scenes are also unfolding in parts of Diyala and Ninewa, where Iraqis have mobilized with the help of the Coalition and Iraqi security forces to evict al-Qa'ida from their communities. The world should note that when al-Qa'ida began implementing its twisted vision of the Caliphate in Iraq, Iraqis, from al-Anbar to Baghdad to Diyala', have overwhelmingly rejected it.

Shi'a extremists are also facing rejection. Recent attacks by elements of the Iranian backed Jaysh al-Mahdi on worshipers in the holy city of Karbala have provoked a backlash and triggered a call by Muqtada as-Sadr for Jaysh al-Mahdi to cease attacks against Iraqis and coalition forces.

A key challenge for Iraqis now is to link these positive developments in the provinces to the central government in Baghdad. Unlike our states, Iraqi provinces have little ability to generate funds through taxation, making them dependent on the central government for resources. The growing ability of the provinces to design and execute budgets and the readiness of the central government to resource them are success stories. On September 5, Iraq's senior federal leadership traveled to al-Anbar where they announced a 70% increase in

the 2007 provincial capital budget as well as \$50 million to compensate losses in the fight against al-Qa'ida. The support of the central government is also needed to maintain hard-won security in areas like al-Anbar through the rapid expansion of locally-generated police. The Government of Iraq has placed some 21,000 Anbaris on police roles.

Economics and Capacity Building

Iraq is starting to make some gains in the economy. Improving security is stimulating revival of markets, with the active participation of local communities. War damage is being cleared and buildings repaired, roads and sewers built and commerce energized.

The IMF estimates that economic growth will exceed six percent for 2007. Iraqi ministries and provincial councils have made substantial progress this year in utilizing Iraq's oil revenue for investment. The 2007 governmental budget allocated \$10 billion (nearly one-third Iraq's expected oil export revenue) to capital investment. Over \$3 billion was allocated to the provinces and the Kurdish Region for spending. The latest data show that spending units (national ministries and provincial councils) have proceeded to commit these funds at more than twice the rate of last year. Doing the best are the provincial authorities, in the process gaining experience with making plans and decisions, and running fair tenders. In so doing, they are stimulating local business development and providing employment. Over time we expect the experience with more responsive local authorities will change Iraqi attitudes towards their elected leaders, and of the provinces towards Baghdad.

At two conferences in Dubai in the last two weeks, hundreds of Iraqi businessmen met an equal number of foreign investors newly interested in acquiring shares of businesses in Iraq. An auction of cell phone spectrum conducted by Pricewaterhouse Coopers netted the Government a better-than-expected sum of \$3.75 billion. The Minister of Finance plans to use the funds, along with all the country's oil revenue, to apply to its pressing investment and current expenditure needs.

Overall, however, the Iraqi economy is performing significantly under potential. Insecurity in the countryside raises transport costs and especially affects manufacturing and agriculture. Electricity supply has improved in many parts of the country, but is woefully inadequate in Baghdad. Many neighborhoods in the city receive two hours a day or less from the national grid, although power supplies for essential services such as water pumping stations or hospitals are much better. The Minister of Electricity said last week that it would take \$25 billion through 2016 to meet demand requirements, but that by investing the \$2

billion a year the Ministry is now receiving from the government's budget, as well as private investment in power generation, that goal could be met.

We are deploying our assistance funds to make a difference to ordinary Iraqis and to support our political objectives. Military units are using Commanders Emergency Response (CERP) funds to ensure that residents see a difference when neighborhood violence declines. USAID Community Stabilization Funds provide tens of thousands of jobs. With the recent apportionment of 2007 Supplemental funds, we are putting "Quick Response Funds" in the hands of our Provincial Reconstruction Team leaders to build communities and institutions in post-kinetic environments. Vocational training and microfinance programs are supporting nascent private businesses. And in Baghdad, we are increasing our engagement and capacity building efforts with ministries.

Regional and International Dynamics

There is expanding international and regional engagement with Iraq. In August, the UN Security Council, at Iraq's invitation, provided the United Nations Assistance Mission in Iraq (UNAMI) with an expanded mandate through UNSCR 1770. The work of the International Compact with Iraq moves forward, jointly chaired by Iraq and the UN. Seventy-four countries pledged support for Iraq's economic reform efforts at a Ministerial Conference in May. The UN has reported progress in 75% of the 400 areas Iraq has identified for action. Later this month, the Iraqi Prime Minister and the UN Secretary General will chair a ministerial-level meeting in New York to discuss further progress under the Compact and how UNSCR 1770 can be most effectively implemented.

Many of Iraq's neighbors recognize that they have a stake in the outcome of the current conflict in Iraq, and are engaging with Iraq in a constructive way. A neighbors' ministerial in May, also attended by the P-5 and the G-8, has been followed by meetings of working groups on security, border issues, and energy. An ambassadorial level meeting just took place in Baghdad, and another neighbors' ministerial will be held in Istanbul in October.

Against the backdrop of these new mechanisms, the business of being neighbors is quietly unfolding. For the first time in years, Iraq is exporting oil through its neighbor, Turkey, as well as through the Gulf. Iraq and Kuwait are nearing conclusion on a commercial deal for Kuwait to supply its northern neighbor with critically needed diesel. Jordan recently issued a statement welcoming the recent leaders' communiqué and supporting Iraqi efforts at reconciliation. And Saudi Arabia is planning on opening an Embassy in Baghdad — its first since the fall of Saddam.

Syria's role has been more problematic. On one hand, Syria has hosted a meeting of the border security working group and interdicted some foreign terrorists in transit to Iraq. On the other hand, suicide-bombers continue to cross the border from Syria to murder Iraqi civilians.

Iran plays a harmful role in Iraq. While claiming to support Iraq in its transition, Iran has actively undermined it by providing lethal capabilities to the enemies of the Iraqi state. In doing so, the Iranian government seems to ignore the risks that an unstable Iraq carries for its own interests.

Looking Ahead

2006 was a bad year in Iraq. The country came close to unraveling politically, economically, and in security terms. 2007 has brought improvement. Enormous challenges remain. Iraqis still struggle with fundamental questions about how to share power, accept their differences and overcome their past. The changes to our strategy last January – the surge – have helped change the dynamics in Iraq for the better. Our increased presence made besieged communities feel that they could defeat al-Qa'ida by working with us. Our population security measures have made it much harder for terrorists to conduct attacks. We have given Iraqis the time and space to reflect on what sort of country they want. Most Iraqis genuinely accept Iraq as a multi-ethnic, multi-sectarian society - it is the balance of power that has yet to be sorted out.

Whether Iraq reaches its potential is of course ultimately the product of Iraqi decisions. But the involvement and support of the United States will be hugely important in shaping a positive outcome. Our country has given a great deal in blood and treasure to stabilize the situation in Iraq and help Iraqis build institutions for a united, democratic country governed under the rule of law. Realizing this vision will take more time and patience on the part of the United States.

I cannot guarantee success in Iraq. I do believe, as I have described, that it is attainable. I am certain that abandoning or drastically curtailing our efforts will bring failure, and the consequences of such a failure must be clearly understood. An Iraq that falls into chaos or civil war will mean massive human suffering – well beyond what has already occurred within Iraq's borders. It could well invite the intervention of regional states, all of which see their future connected to Iraq's in some fundamental way. Undoubtedly, Iran would be a winner in this scenario, consolidating its influence over Iraqi resources and possibly territory. The Iranian President has already announced that Iran will fill any vacuum in Iraq. In such an environment, the gains made against al-Qa'ida and other extremists groups could easily evaporate and they could establish strongholds to be used as safehavens for

regional and international operations. Our current course is hard. The alternatives are far worse.

Every strategy requires recalibration as time goes on. This is particularly true in an environment like Iraq where change is a daily or hourly occurrence. As chief of mission in Iraq, I am constantly assessing our efforts and seeking to ensure that they are coordinated with and complementary to the efforts of our military. I believe that, thanks to the support of Congress, we have an appropriate civilian posture in Iraq. Over the coming year, we will continue to increase our civilian efforts outside of Baghdad and the international zone. This presence has allowed us to focus on capacity building, especially in the provinces – units which are likely to grow in influence as more power devolves from Baghdad. The number of Provincial Reconstruction Teams has grown from ten to 25 this year. In support of these goals, we will be asking Congress for additional economic assistance including additional quick response funds for capacity building. We will also seek support for two significant proposals that hold the prospect of creating permanent jobs for thousands of Iraqis. One would be the establishment of an "Iraqi-American Enterprise Fund," modeled on our successful funds in Poland and elsewhere in Central Europe. Such a fund could make equity investments in new and revamped firms based in Iraq. The second would be a large-scale operations and maintenance facility based on our Highway Trust Fund. On a cost-sharing basis, such a fund would train Iraqis to budget for and maintain important public sector infrastructure (power plants, dams, roads). Over time, the cost-sharing would phase down and out, leaving behind well-trained professionals and instilling the habits of preventative maintenance.

We will continue our efforts to assist Iraqis in the pursuit of national reconciliation, while recognizing that progress on this front may come in many forms and must ultimately be done by Iraqis themselves. We will seek additional ways to neutralize regional interference and enhance regional and international support. And we will help Iraqis consolidate the positive developments at local levels and connect them with the national government. Finally, I expect we will invest much effort in developing the strategic partnership between the United States and Iraq, which is an investment in the future of both countries.